

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

SB 2040 – HB 1988

June 9, 2009

SUMMARY OF AMENDMENT (009579): Deletes all language after the enacting clause of the original bill. Sections 1 and 2 change the term “qualified zone academy project” to “school credit bond project.” Defines school credit bond project as any acquisition of land, construction, renovation, repair, rehabilitation, improvement, or equipping of school facilities for a local government or public charter school, if these projects qualify to be financed through the issuance of qualified zone academy bonds or qualified school construction bonds. Section 3 gives the Tennessee State School Bond Authority (TSSBA) the power to finance school bond projects for local government and public charter schools and requires the TSSBA the authority to develop application and review procedures for such projects. Section 4 authorizes local governments to enter into loan agreements. Counties having a city (or cities) operating schools independent of the county or having a special school district operating schools independent of a county school system are not required to share proceeds of any loan agreement for a school bond project. Sections 5 and 6 further substitute the phrase school credit bond project for qualified zone academy project. Section 7 authorizes a zero interest rate on such bonds. Section 8 designates the TSSBA as the “state education agency” under federal IRS tax code and gives the TSSBA the authority to allocate the national zone bond academy limitation allocated to Tennessee. Section 9 replaces qualified zone academy bond with the phrase school credit bond and deletes the requirement that applicants give sufficient bond security. Applicants still have to demonstrate that they meet the ten percent matching funds requirement. Section 10 declares that counties with other local education agencies (LEAs) operating within their county border do not have to share county bond allocations with those other LEAs. Section 11 authorizes the sale of any bond or notes issued by local governments using allocations by the TSSBA under the proper IRS rules and regulation.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Not Significant

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Not Significant

**Increase Local Expenditures – \$12,307,100/Permissive/
FY09-10**

**\$12,491,700/Permissive/
FY10-11**

\$12,380,900/Permissive/FY11-12

and Subsequent Years Over the Life of the Bond

Increase Local Revenue - \$184,606,000/One-Time FY09-10

Other Fiscal Impact – If bonds are not sold in this calendar year, Memphis City Schools and Metro-Davidson County will lose their specific allocations for FY09-10 and FY10-11.

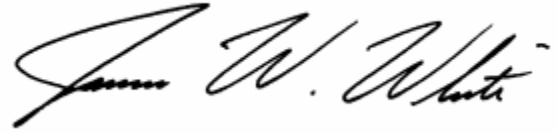
The Comptroller anticipates a similar allocation of local bond finances in FY10-11, however, such allocations have not been formally released.

Assumptions applied to amendment:

- American Recovery and Reinvestment Act (ARRA) allocated \$184,606,000 to Tennessee. Of that, \$41,700,000 is allocated to Memphis City Schools and \$21,100,000 is allocated to Metro-Davidson County Schools. The remaining \$121,806,000 will be distributed throughout the state.
- According to the Comptroller, bonds will be amortized over 15 years. Each borrower will pay a pro rata share of the debt. According to the Comptroller's calculations, first year costs will be approximately \$12,307,067, second year costs will be \$12,491,673, and third year costs and thereafter will be \$12,308,909. These costs assume that all monies allocated by the ARRA will be utilized by local governments.
- Local governments must apply for these bonds, therefore, any increase in local expenditures will be permissive.
- Any increase in state expenditures to make application rules and regulations is estimated to be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and a distinct "W".

James W. White, Executive Director

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